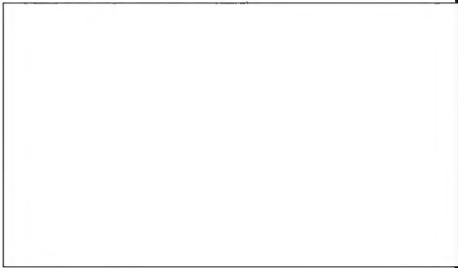




Director of
Central
Intelligence

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National Intelligence Daily

*Saturday
14 January 1984*

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SYRIA-LEBANON: Attitude Toward Security Plan

Damascus probably is willing to permit the Lebanese security plan to be carried out, but its tough position on the broader issues of Lebanese national reconciliation has not changed. [REDACTED]

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The US Embassy in Damascus reports, however, that Syrian leaders told British Foreign Secretary Howe that further progress on Lebanese national reconciliation will depend on the abrogation of the Lebanese-Israeli troop withdrawal accord of last May. The Syrians conveyed the impression that their position on this issue is hardening.

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Comment: The Syrians probably believe that, if the security plan is carried out, it will facilitate a withdrawal of the Multinational Force contingents from Beirut, an important short-term goal of the Syrians. Damascus thus is likely to encourage agreement on the plan in the talks this weekend. [REDACTED]

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Despite this tactical maneuver, however, President Assad almost certainly will stand firm on the more fundamental issues that have impeded reconciliation among Lebanon's warring factions. In particular, he also will demand the abrogation or at least the shelving of the Lebanese-Israeli accord as a precondition to a political settlement or to Syrian withdrawal from Lebanon. Assad probably believes that a pullout of Western forces from Beirut would strengthen his hand in pressing his demands on the Lebanese. [REDACTED]

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ITALY-LEBANON: Plans for MNF Withdrawals

Defense Minister Spadolini says privately that Italian withdrawals from the Multinational Force may proceed more slowly than originally planned because of waning public interest, but the situation could change abruptly. [redacted]

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Comment: The public's recent preoccupation with the holidays and hints that a diplomatic breakthrough may be imminent have reduced the immediate pressure on the government, but the situation in Rome is delicate. A breakdown in the peace talks or a major incident involving any of the MNF contingents almost certainly would provoke renewed calls for withdrawal. [redacted]

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SURINAME: Political Demands

No resolution of the labor crisis is in sight, and the strikers are putting new emphasis on political demands. [redacted]

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The US Embassy reports that some of the bank workers who struck yesterday in support of bauxite and electrical workers are circulating a petition calling for worker solidarity and for the removal of Army Commander Bouterse. This follows similar demands by electrical workers for the military's return to the barracks and for the restoration of democracy. [redacted]

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The Embassy says soldiers from a commando unit were guarding the main facility of the Suriname Power Company in Paramaribo while discontented electrical workers returned to work. Military units also are stationed at the Suralco plant, but there have been no incidents between the soldiers and the strikers. [redacted]

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Demonstrators calling for Bouterse's resignation stormed the Surinamese Embassy in The Hague on Thursday, according to the Dutch press, before being evicted by the police. [redacted]

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Comment: The lack of any identifiable leadership or plan among the strikers makes it difficult for Bouterse to deal with their demands. He probably still wants to avoid violence, fearing that the use of force could lead to widespread support for the strikers. [redacted]

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The spread of the strikes and the emergence of demands aimed at undermining the regime will put Bouterse in a difficult position. He lacks a constituency outside the small military services, and he cannot afford to offer power sharing or any other major political concession. [redacted]

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EL SALVADOR: Military Developments*Fighting continues in central El Salvador,*

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Elements of the government's airborne battalion began an operation south of the Guazapa Volcano on Tuesday, according to the US defense attache. Salvadoran military officers say fighting continues in northern La Libertad Department.

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The defense attache also reports the Salvadorans have established a new general staff section that will be responsible for controlling all armed forces communications. The section will focus on improving communications security practices.

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The establishment of the new general staff section is an important step toward improving military performance. Lax communications security has long plagued the high command. It probably has contributed to the failure of several operations.

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USSR-NORTH KOREA: Reaction to P'yongyang's Proposal

The Soviets have given favorable press coverage to the proposal North Korea made on Tuesday for talks with South Korea and the US, but they almost certainly will seek to head off any attempt to include China without the USSR. []

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A TASS dispatch on Wednesday from P'yongyang on the proposal was carried the same day by *Izvestiya* under the title "An Important Initiative" and by *Pravda* on Thursday under the title "Putting Forward New Proposals." According to TASS, such "constructive dialogue" is the only road to peace and reunification in Korea in view of the current tensions "provoked by US aggressive scheming." TASS made no reference to China's role in informing the US of the proposal. []

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Officials at the Soviet Foreign Ministry were relaxed about the matter on Wednesday, when they discussed Korean problems with US Embassy officers. They claimed that "the most important thing is stability on the Korean peninsula." []

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The Soviets, however, were skeptical that a dialogue is possible in the near future. As inhibiting factors, they cited the political impact of the bombing in Rangoon and South Korean reservations about the initiative. []

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Comment: The USSR has long publicly endorsed a negotiated settlement of the Korean question and would welcome talks that limited the chances for renewed hostilities and led to a reduced US military presence. In view of Moscow's own past initiatives on Asian security, its determination to play a major role in the region, and its treaty with North Korea, the Soviets probably would try to be included in any larger conference. They would be likely to object to any move to add China as a fourth party, but they might welcome expanded talks if the USSR were also included. []

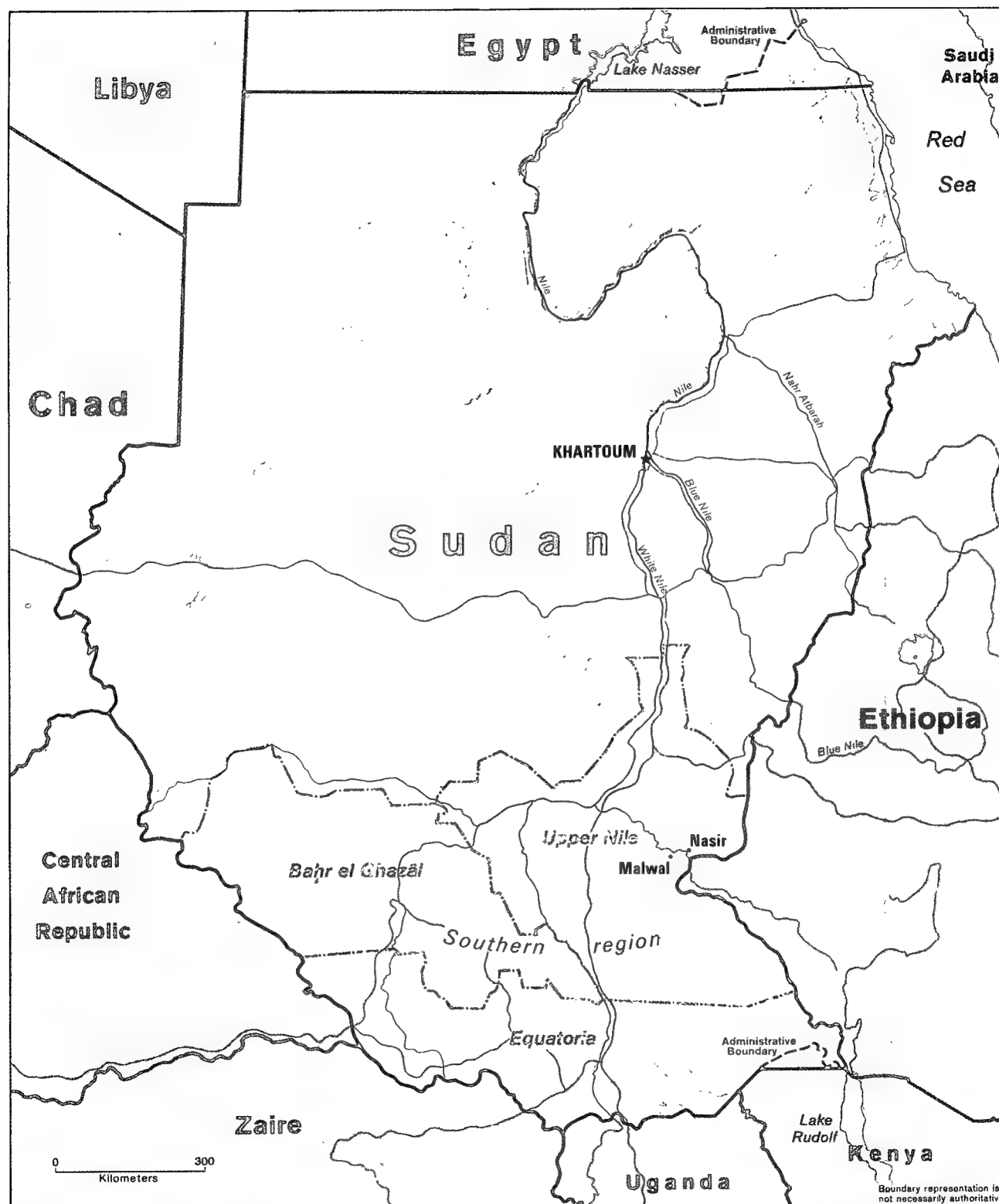
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LIBYA-ETHIOPIA-SUDAN: Dissidents Preparing for Attacks

Dissident operations in southern Sudan are likely to continue, despite conciliatory gestures toward southerners by President Nimeiri.

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The US Embassy in Addis Ababa reports that it has learned from a Sudanese dissident that elements associated with the group also plan attacks soon on targets in Khartoum, including the US Embassy.

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The US Embassy in Khartoum says the government, in a bid to ease tensions in the south, has freed four prominent southern politicians who were jailed last spring. Nimeiri also has appointed a special emissary to contact dissidents in the south and a commission to investigate southern concerns.

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Comment: Libya, Ethiopia, and the Sudanese People's Liberation Army probably hope they can take advantage of the political ferment in Sudan caused by Nimeiri's controversial measures of the last several months.

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Improved relations between Libya and Ethiopia since their high-level diplomatic exchanges late last year are resulting in stronger cooperation to undermine Nimeiri. Addis Ababa feels threatened by Khartoum's continuing support to northern Ethiopian insurgents and, with Libya, is angered by Sudanese support of US interests in the region.

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Nimeiri's gestures toward the south, together with his recent deemphasis of Islam, will reassure many Sudanese that he has resumed a more moderate course. Some southern dissidents are likely to be willing to negotiate with Khartoum. The Sudanese People's Liberation Army and the other radical factions, however, will continue their attacks.

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POLAND: Planned Price Increases

The regime's reduction in the size of the increases in retail food prices sets back its austerity program and reflects a continuing lack of confidence. []

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The new scheme reportedly provides for increases in food prices averaging only 9 percent instead of the originally projected 15 percent. Retirees already have been granted early pension increases, and the government is considering additional compensation for them and for low-income workers. A government spokesman indicates that in the future there will be smaller but more frequent increases. []

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No firm date has been set for the increases to go into effect. The Council of Ministers yesterday ordered further study of revisions proposed by government-sponsored unions. []

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The authorities are taking action to show their responsiveness to public opinion. The party newspaper reported criticism of the most recent plans by representatives of the unions and promised to forward the comments to the Council of Ministers, where the decision will be made. []

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Comment: The retreat on price increases will make it more difficult for Warsaw to persuade Western creditors that it is committed to austerity and that it has a coherent economic policy. The action also will delay an overall realignment of retail prices that will balance supply and demand. The regime now is committed to increase subsidies for food and consumer goods—already 20 percent of the budget for 1984—causing more inflation. []

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The authorities are likely to hope that they can improve their credibility by allowing and even encouraging a critical discussion of their policies. They also hope to show they have learned from experience not to surprise the workers with large, unexpected increases. []

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Large-scale violent protests over these increases seem unlikely. The generally bad economic conditions, however, probably will cause some scattered demonstrations. []

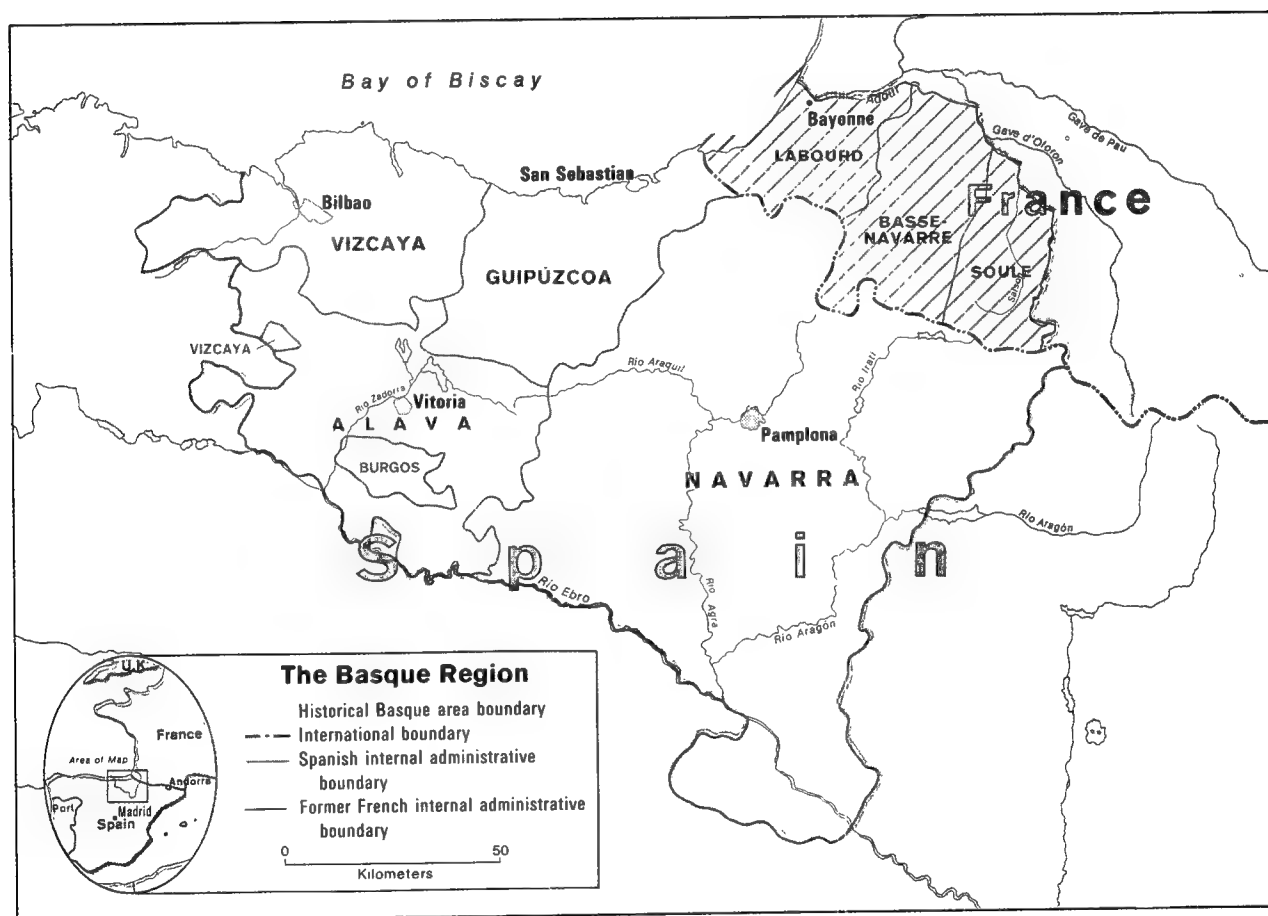
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FRANCE-SPAIN: Crackdown on Basque Terrorists

New French operations against Basque terrorists may lead to closer cooperation with Spain in dealing with the problem.

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French authorities are cracking down on Basque terrorists in southern France. Earlier this week police detained top leaders of the Spanish organization ETA and either expelled them from the country or moved them to northern France. They also arrested five members of the French Basque terrorist group.

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These actions follow the murders in southern France of several key ETA leaders by the obscure Antiterrorist Liberation Group.

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Comment: Although Paris has played down the significance of its actions, they may reflect a shift in the French view of the Basque problem. Paris has long been troubled by signs of growing violence and Basque radicalism in the French Basque region, and the murders by the Liberation Group—which provoked violent pro-ETA demonstrations in southern France—appear to have confirmed its fears. French authorities may be concerned that they will soon have to deal with violence among their own Basques, if they do not take action to control a potentially explosive situation.

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Paris also may be indicating to Madrid that ETA can be deprived of its sanctuaries in southern France by other means than a campaign of murder.

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The crackdown may provoke reprisals either by the ETA or by the French Basque terrorist group that could increase the level of violence on both sides of the Pyrenees. In the long run, however, close counterterrorist cooperation between Paris and Madrid could be the key to defeating ETA. Such a defeat would remove the most potent threat to political stability in Spain.

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LEBANON: Increased Fighting

Delays in carrying out the security plan are causing new tensions between the Lebanese Army and armed Muslim factions. Intermittent heavy fighting continued among nearly all opposing factions in the Beirut area yesterday. US Marines came under the most intense small arms fire in a month and directed mortar and machinegun fire at nearby Druze and Shia attackers. [REDACTED]

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Comment: Opponents of the government may be planning new terrorist attacks against the national contingents of the Multinational Force in an effort to intensify demands in their home countries that they withdraw from Lebanon. [REDACTED]

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USSR: Trade Officials Executed

TASS announced yesterday that two former officials of the State Committee for Foreign Economic Relations had been executed for "systematically taking large bribes." One official was the former chairman of the association that provides foreign support for Soviet electric power stations. The other was the former director of the import office of the same association. The announcement says that the Presidium of the Supreme Soviet denied an appeal for clemency from the two. [REDACTED]

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Comment: The executions indicate that General Secretary Andropov's campaign against corruption is continuing. Andropov is the Chairman of the Presidium of the Supreme Soviet—the appellate body in capital cases of this kind. These are the highest level officials to be executed for corruption since Andropov became the party leader. [REDACTED]

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USSR-ANGOLA: Economic Agreements Announced

Agreements with Angola were signed in Moscow yesterday to develop a fishing complex employing 6,000 persons and to cooperate in constructing oil depots, producing building materials, and starting farm machinery repair workshops. The value of the projects was not disclosed. The USSR has extended about \$430 million in economic aid to Angola since 1975, but only about \$32 million is believed to have been used. []

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Comment: The timing of the announcement comes on the heels of disclosure that the USSR and Cuba have agreed to provide more military aid to Angola. It suggests a coordinated effort to demonstrate firm backing for Luanda against increased pressures from Pretoria and South African-backed guerrillas. The new aid agreements do not provide for badly needed imports for the deteriorating Angolan economy or for skilled technical services to revitalize idle industries. Luanda also is making efforts to obtain economic aid in the West. []

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EC-US: Agricultural Trade Restrictions

The EC Commission on Thursday proposed that the Community place tariffs on imports of corn gluten feed and other animal feed substitutes. Most of these products come from the US and now enter the EC duty free. The Commission would place a tariff only on imports exceeding 4.5 million tons, and it is willing to negotiate under GATT auspices a trade compensation arrangement with the US. The Commission argues that cheap imported substitutes aggravate the EC agricultural glut by displacing domestic grain and encouraging dairy surpluses. []

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Comment: The EC Council probably will approve the proposals by mid-February, and GATT consultations could start by early spring. The quotas will have little immediate impact on US exports. Last year the US sold less than 4 million tons of the products to the Community, but the EC apparently believes that US sales could rise in the future. Although philosophically opposed to the Commission proposal, the UK and West Germany probably will acquiesce in return for agreements by other EC members on Common Agricultural Policy reforms. []

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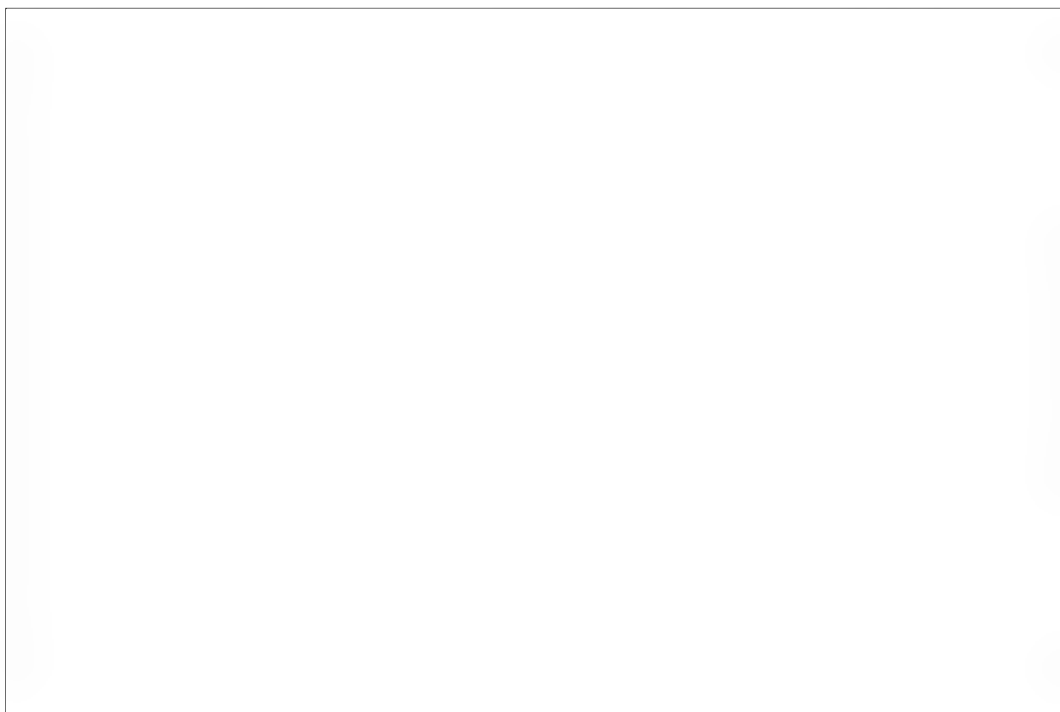
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SOUTH KOREA: Opposition Campaign

South Korean dissidents have launched a major campaign on behalf of a clergyman and two professors indicted this week for "antistate" activity. The three had been researching the treatment of the unification issue in school textbooks. Intelligence Chief Lho reportedly is trying to calm the controversy by advising the dissidents to mute their criticism. [redacted]

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Comment: The government is more than usually sensitive about the unification issue, now that North Korea has publicly proposed talks. Dissidents appear divided over the wisdom of challenging the government, but they believe strongly in the public's right to discuss the issue. Indictment of the three makes compromise difficult, and airing the charges in a public trial could provoke greater antigovernment sentiment. Lho probably is telling the dissidents he can persuade the government to take a softer line on prosecution if they ease up on their protests. [redacted]

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MAURITIUS-LIBYA: Libyan Office Closed

Prime Minister Jugnauth yesterday ordered the immediate closure of the Libyan People's Bureau in Port Louis, according to a senior Mauritian official. All Libyan diplomatic personnel, except for one official who will remain temporarily to handle administrative matters, were to depart the country within hours. []

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Comment: The action follows Mauritius's reported discreet expulsion last month of a Libyan attache for activities "inappropriate to a diplomat." The Libyans have interfered extensively in Mauritian internal politics, particularly in the Muslim community. Jugnauth—who at one time sought closer relations with Libya and the USSR—became angered at reports that Tripoli and Moscow backed the major opposition party in the election last August. The expulsion order also may be an effort to gain favor with Saudi Arabia, with which Mauritius has been hoping to establish economic ties. []

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SIERRA LEONE: Growing Discontent

President Stevens has closed the country's main university indefinitely, following violent student disturbances earlier this week in the capital over shortages of cooking oil and gasoline. The students regard Stevens as responsible for widespread economic hardships, and their protests coincided with the President's opening address to the national convention of Sierra Leone's sole political party. The government quickly contained looting by the few hundred participants, and no new disturbances have been reported. []

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Comment: Stevens's 15-year-old regime is periodically wracked by economically inspired student and labor disorders. The government is now trying to head off a threatened strike by miners for overdue pay that could lead to more violence later this month. If Stevens imposes austerity measures needed to obtain IMF assistance, public disaffection over layoffs, inflation, and shortages of essential goods is likely to increase. []

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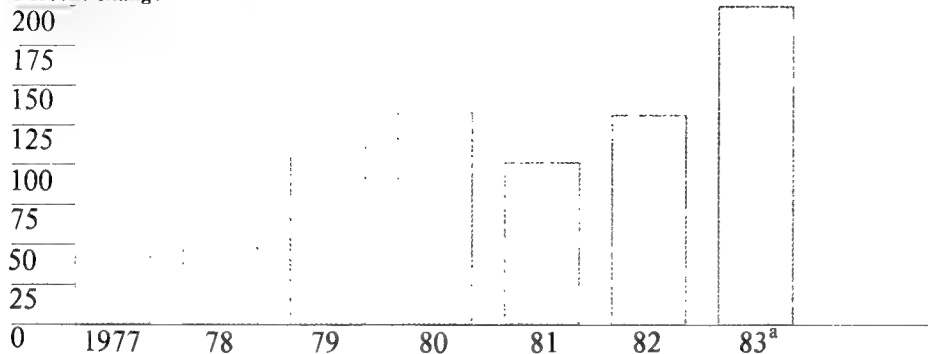
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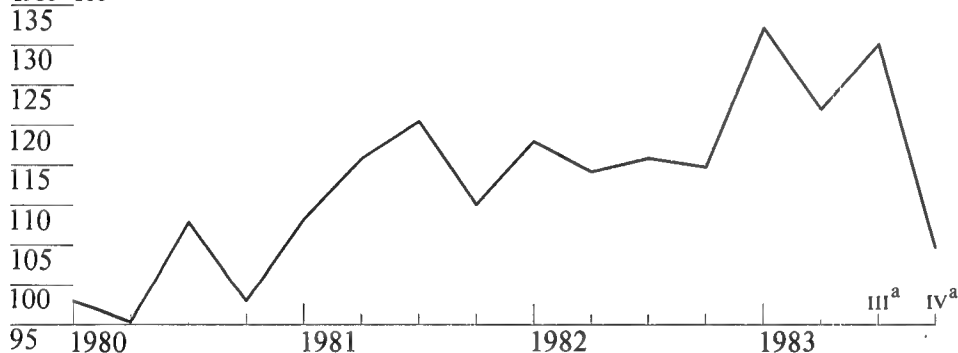
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Israel: Economic Indicators**Consumer Prices**

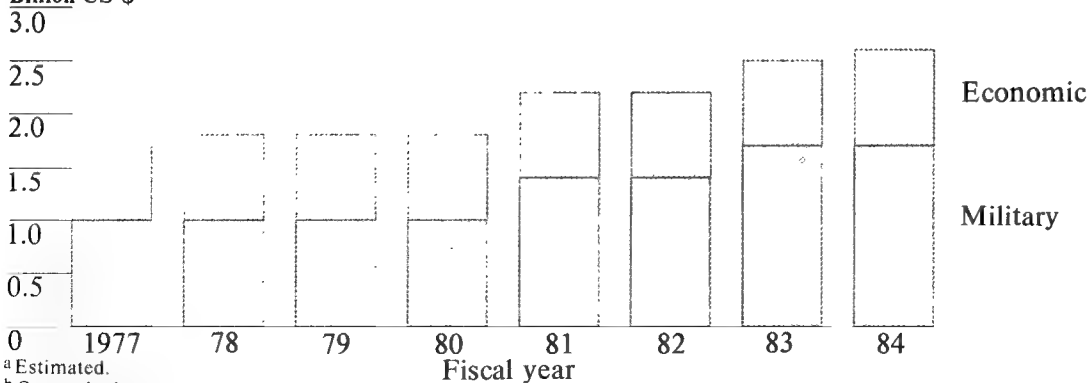
Percent change

**Real Wages^b**

1980=100

**US Aid^c**

Billion US \$

^a Estimated.^b Quarterly data.^c Authorized aid, excluding Sinai redeployment.

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Special Analysis

ISRAEL: Economic Turmoil

Threats by the smaller parties to leave the coalition and growing labor unrest are severely testing Prime Minister Shamir's ability to hold his coalition together and to enact desperately needed austerity measures. Finance Minister Cohen-Orgad's austerity program is unlikely to get off the ground, however, because of the strong opposition within the government. Without an effective austerity program, Israel's balance-of-payments situation will continue to deteriorate, leading it to turn to the US for relief.

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The cabinet on 1 January set a ceiling for the annual budget beginning in April at \$1 billion below spending in the current fiscal year. After subtracting defense imports and debt servicing, each ministry would have to absorb an average cut of 9 percent in real terms to stay within the ceiling. Cohen-Orgad also is calling on the Histadrut, the large trade union organization, to agree to a decline in real wages of at least 10 percent.

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A committee made up of ministers with primarily economic and social portfolios has now decided to raise the budget ceiling, reducing required average cuts to only 7 percent in real terms. Welfare ministries would absorb smaller cuts. The committee has not yet concluded its deliberations, however, and the budget ceiling could well be raised again.

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Opposition to Austerity

The marginal adjustments to the budget have not been enough to satisfy the opposition. Members of the National Religious Party and the TAMI and Tehiya parties have threatened to leave the Likud coalition if allotments for their favorite projects are cut.

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The Tehiya party objected to reported plans to freeze settlements in the West Bank. Shamir quickly promised that there would be no freeze, although he has left the door open for lower spending levels.

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TAMI, with a low-income constituency, and the National Religious Party have threatened to join the Labor Party unless social welfare spending, including free high school education, is left intact. The US Embassy reports that TAMI has begun discussions with Labor leaders.

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An estimated 40,000 government workers— 10 percent of public-sector employees—are now involved in strikes and slowdowns to demonstrate their opposition to the current annual inflation rate of 200 percent and to Cohen-Orgad's call for large cuts in real wages. More strikes are likely because workers fear budget cuts will mean fewer jobs. []

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On 1 January the cabinet also authorized Cohen-Orgad to negotiate a package deal on wages, prices, and taxes with the Histadrut and the Manufacturers' Association. Union officials rejected the idea. They believe that differences between the government and the Histadrut are too great to resolve and that the government is trying to put the burden of economic retrenchment on wage earners. []

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Outlook

Cohen-Orgad's austerity program is unlikely to be put into effect. Even after the ministerial committee makes its recommendations, the full cabinet still has to approve the budget, giving ministers another opportunity to increase their funding. Although Shamir appears to back the cuts, he probably would do an about-face if he were persuaded his government would topple. []

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Even if budget cuts are adopted, experience suggests they will probably not be implemented. Israeli ministers are not held responsible for budgetary mismanagement. As a result, their actual outlays can easily exceed their budget limits. []

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The Histadrut has little incentive to reach an accommodation with Cohen-Orgad. It supports the Labor Party, which believes the faltering economy may soon bring Shamir down. []

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Officials of Histadrut probably calculate that they could get a better deal from Labor. They believe that they could not sell Cohen-Orgad's proposals to their members and that they have nothing to lose by taking a tough stand. []

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If Cohen-Orgad somehow overcomes these obstacles and puts his austerity program in place, the resulting economic slowdown would cause unemployment that would quickly put an end to the experiment. One of the basic tenets of Israeli policy has always been that significant unemployment is unacceptable because of a moral obligation to provide jobs for Jews coming to Israel. []

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Israeli officials say that an unemployment rate above 7 percent would force them to adopt expansionary policies. Unemployment now stands at 4 percent. [REDACTED]

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Cohen-Orgad is pushing his austerity program in order to reduce domestic demand and thereby free more production for exports. In addition, the demand for imports would be curbed, which also would help reduce Israel's foreign trade deficit. [REDACTED]

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Since Cohen-Orgad is unlikely to succeed, Israel's balance-of-payments situation will continue to deteriorate. Unless Tel Aviv manages to secure substantially more foreign financial backing than is likely to be available from commercial lenders, the country will have a foreign exchange crisis. Israeli officials, finding it politically unpalatable to attempt a program requiring economic sacrifice by the public, will look to the US for extra funds. [REDACTED]

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